



THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

333 John Carlyle Street, Suite 200 • Alexandria, VA 22314
Phone: (703) 548-3118 • FAX: (703) 548-3119 • www.agc.org

JACK KELLEY, President

JAMES D. WALTZE, Senior Vice President

SAM HUNTER, Vice President

JAMES STEPHENS, Treasurer

STEPHEN E. SANDHERR, Chief Executive Officer

DAVID R. LUKENS, Chief Operating Officer

May 7, 2003

The Honorable William Thomas
Chairman, House Ways and Means Committee
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Thomas:

On behalf of the Associated General Contractors of America (AGC), I would like to express our support of the Jobs and Growth Tax Act of 2003. AGC is the largest and oldest national construction trade association, founded in 1918. AGC represents more than 33,000 firms, including 7,500 of America's leading general contractors, and 12,000 specialty-contracting firms.

The stimulus that the bill would provide to consumption and investment will help construction businesses by generating more demand for structures. In addition, construction firms of all types and sizes will benefit from several specific provisions. First, the acceleration in the individual marginal rate cuts benefits not only the owners of construction businesses, but also their employees. Lower taxes have a positive impact on company cash flow, and with more capital these businesses can expand, invest in new equipment and hire additional employees. This in turn will help stimulate the sluggish economy. Furthermore, lowering individual rates on employees puts more money directly in their pocket to spend on their family's needs and priorities.

Shareholders of C corporations will also gain from the reduction in the top rate on dividends and capital gains. This will have a positive impact on the roughly 60% of AGC member construction companies organized as C corporations. Currently, the double taxation of corporate income is the biggest disincentive to organizing a construction company as a C corporation. The proposal reduces a tax code handicap that forces companies to retain cash simply to avoid double taxation.

Finally, construction firms of all sizes will increase investment in productivity-enhancing equipment if the bill's 50% bonus depreciation becomes law, and small businesses will gain from the simplification and acceleration of write-offs provided by the bill's increase in section 179 expensing limits. Additionally, extending the five-year net operating loss carryback through 2005 directly benefits those companies hit hardest by the current slowdown in construction.

Mr. Chairman, this tax cut plan is important to AGC members and directly affects their bottom line. We look forward to working with you as this bill makes its way through Congress.

Sincerely,

Stephen E. Sandherr

SES/hb